

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

DMG5018 – MANAGEMENT ACCOUNTING 1

(For Diploma Students Only)

15 MARCH 2018
9.00 A.M. – 12.00 P.M.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 8 pages with 5 questions.
2. Answer ALL questions.
3. Write your answers in the answer booklet provided.

Question 1

Spark Metalworks uses a job order cost system and applies overhead to production based on direct labour costs. The beginning inventories on 1 January 2017 were:

Finished goods	Job A50	RM 100,000
Work in process	Job A51	RM 50,000
Raw materials		RM 20,000

During the month of January, Spark Metalworks began production on Jobs A52 and A53, and completed Jobs A51 and A52. Jobs A50 and A51 were also sold on account during the month for RM 130,000 and RM 160,000, respectively. The following additional events occurred during the month.

1. Purchased additional raw materials of RM 200,000 on account
2. Incurred factory labour costs of RM 200,000. Of this amount, RM 50,000 related to employer payroll taxes
3. Incurred manufacturing overhead costs as follows: indirect materials RM 17,000, indirect labour RM 15,000, depreciation expense RM 19,000, and various other manufacturing overhead costs on account RM 20,000
4. Assigned direct materials and direct labour to jobs as follows:

Job No.	Direct Materials	Direct Labour
A51	RM 20,000	RM 10,000
A52	78,000	50,000
A53	60,000	40,000

5. Predetermined overhead rate for 2017 was calculated based on the following assumptions; estimated total manufacturing overhead costs RM 1,500,000 and direct labour costs RM 750,000

Continued...

Instructions:

- a) Calculate the predetermined overhead rate for 2017. (2 marks)
- b) Prepare journal entries to record all costs incurred and assigned during January 2017 (11 marks)
- c) Determine the ending balance of inventories:
 i. Finished goods
 ii. Work in process
 iii. Raw materials (7 marks)
- [Total: 20 marks]

Question 2

ProSports manufactures tennis balls. Materials are added at the beginning of the production process and conversion costs are incurred uniformly. Production and cost data for the month of January 2018 are as follows.

Production Data		Units	Percentage of Completion
Work in process, January 1		500	60%
Units started into production		1,000	
Work in process, January 31		600	30%
Cost Data			
Work in process, January 1			
Materials	RM 750		
Conversion costs	600	RM 1,350	
Costs added during January:			
Direct materials		2,400	
Direct labor		1,580	
Manufacturing overhead		1,060	

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Instruction:

Using weighted average method, prepare a production cost report for January 2018.

(20 marks)

[Total: 20 marks]

Question 3**Part A**

Sanders Company has two production departments: Fabricating and Finishing. Beginning inventories are: Work in Process—Fabricating, RM 6,030; Work in Process—Finishing, RM 4,100; and Finished Goods, RM 5,600. During the month the following transactions occurred:

1. Purchased RM 45,000 of raw materials on account.
2. Incurred RM 65,000 of factory labour. Wages are unpaid.
3. Incurred RM 50,000 of manufacturing overhead; RM 44,000 was paid and the remainder is unpaid.
4. Requisitioned materials for Fabricating, RM 10,000 and Finishing, RM 8,000.
5. Used factory labour for Finishing, RM 52,000 and Fabricating, RM 13,000.
6. Applied RM 45,000 of overhead based on machine hours used in each department. The Finishing Department used twice as many machine hours as did Fabricating.

Instruction:

Prepare journal entries to record the transactions occurred during the month. (8 marks)

Continued...

Part B

The table below shows the production and cost data for Malone Company. Materials are added at the beginning of the production process and conversion costs are incurred uniformly. Malone uses the FIFO method to compute equivalent units.

Production Data	Units	Percent Complete
Beginning work in process	500	60%
Units started into production	1,600	
Ending work in process	600	50%
Cost Data		
Beginning work in process	RM 1,125	
Costs added during the period:		
Direct materials	1,600	
Direct labor	1,175	
Manufacturing overhead	1,000	

Instruction:

Calculate the following:

- a) the equivalent units of production for materials and conversion costs (6 marks)
- b) the unit costs of production for materials, conversion costs and the whole unit (4 marks)
- c) the costs of units transferred out (2 marks)

[Total: 20 marks]

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Question 4**Part A**

Job Cost Sheet			
Job No.:	470	Quantity:	2,000
Item:	Bird Cages	Date Requested:	2 March 2018
For:	BB Pets Store	Date Completed:	31 March 2018
Date	Direct Materials	Direct Labour	Manufacturing Overhead
2/3	RM 850		
12/3	RM 900		
15/3		RM 450	RM 675
22/3		RM 380	RM 570
24/3	RM 1,600		
27/3	RM 1,800		
31/3		RM 540	RM 810
Cost of completed jobs:			
• Direct materials			
• Direct labour			
• Manufacturing overhead			
Total cost			
Unit cost			

Instruction:

Complete the job cost sheet above.

(10 marks)

Continued...

Part B

For the year ended 31 December 2017, the job cost sheets of Malone Company contained the following data.

Job No.	Explanation	Direct Materials	Direct Labor	Manufacturing Overhead	Total Costs
150	Balance on 1 Jan 2017	RM 18,000	RM 20,000	RM 25,000	RM 63,000
	Current year's costs	32,000	30,000	37,000	99,000
151	Balance on 1 Jan 2017	12,000	18,000	25,000	55,000
	Current year's costs	28,000	40,000	50,000	118,000
152	Current year's costs	40,000	68,000	85,000	193,000

Other information:

1. Finished goods inventory on 1 January 2017 consisted of Job No. 148 for RM 98,000 and Job No. 149 for RM 62,000
2. Job No. 150 and Job No. 151 were completed during the year
3. Job Nos. 148, 149 and 150 were sold on account for RM 500,000

Instructions:

- a) Using the template given, prepare a table for inventory flows during the year 2017.
(7 marks)

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<u>Inventory Flow:</u>				
Inventory	Beginning	Current Year		Ending
		Increase	Decrease	
Finished Goods				
Work in Process				

- b) Prove the agreement of ending Work in Process Inventory with job cost sheets.

(3 marks)

[Total: 20 marks]

Question 5

Megah Industries, a manufacturer of industry-scale water pumps, obtained the following information from its accounting and production reports. At the end of year 2012, there were 5,000 water pumps in finished goods inventory. Megah Industries used absorption costing in its preparation of financial statements.

	2013	2014	2015	2016
Water pumps produced	10,000	10,000	9,000	10,000
Water pumps sold	10,000	8,000	12,000	9,000
Allocated fixed manufacturing overhead	RM 50,000	RM 50,000	RM 45,000	RM 50,000
Variable manufacturing overhead	RM 100,000	RM 100,000	RM 90,000	RM 100,000
Operating income	RM 60,000	RM 48,000	RM 66,000	RM 60,000

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Instructions:

- a) Determine the operating income under variable costing, by year and in total, for years 2013 through 2016. (12 marks)

- b) Explain how changing inventory levels affect annual operating income and total operating income. (6 marks)

- c) Explain how an increase in the overhead rate in 2016 would affect operating income. (2 marks)

[Total: 20 marks]

[Grand Total: 100 marks]

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